

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Kalkaska Township	County* Kalkaska	Type* Township	MuniCode* 401080
Opinion Date-Use Calendar* 9/24/08	Audit Submitted-Use Calendar* 9/30/08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 508 442
General Fund Expenditure:	? 397 252
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 556 831
Governmental Activities Long-Term Debt (see instructions):	? 0 -

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* BASLER	Ten Digit License Number* 1101013418		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Tobin & Co., PC	Unit's Street Address*	Unit's City*	Unit's Zip*	

# **Tobin & Co.**

Kalkaska Township

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2008

# **Tobin & Co.**

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Kalkaska Township, Kalkaska County, for the year ended March 31, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Kalkaska Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

Records were maintained in excellent condition by your present Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were maintained in good order, and supporting documents and follow-up procedures appeared adequate. The efforts of these officials for 2007-2008 are commendable.

We did note some shortcomings in internal control relative to the cash accounts maintained by the Township Fire Department. According to the Governmental Accounting Procedures Manual of the Michigan Department of Treasury, the Township Treasurer must maintain control of all Township bank accounts, dual signatures, that of clerk and treasurer, are required on all checks, and all expenditures must be approved by the Board. These procedures were not in place during the audit year for these separate Fire Department accounts.

In addition, we noted expenditures from these accounts which, according to the Michigan Department of Treasury's Bulletin for Audits of Local Units of Government, are considered unallowable expenses for Townships.

These comments and recommendations are not intended to take the place of a separate management letter.

### Budgets and Procedures

The General Fund expenditure budget was \$516,648 higher than actual expenditures. This matter should receive special attention in future budget preparation, since the budget is intended to be the best estimate by Township officials of actual revenues and expenditures in the forthcoming fiscal year. See Note 2 of the Notes to the Financial Statements

### General Fund

The General Fund is presented on Schedule 1 of this report. Revenues totaled \$508,442 and expenditures totaled \$397,252. In addition the General Fund transferred \$35,000 to the Improvement Revolving Fund. The fund balance at March 31, 2008 was \$556,831. As noted earlier, expenditures were materially lower than budgeted.

### Improvement Revolving Fund

This fund is permitted by statute and is used to set aside monies for Township improvements. No more than the equivalent of 2 mills of the taxable value may be placed in the fund in one year, and the total may not exceed 5 mills of the current valuation. The statute also permits the Township Board to return portions to the General Fund at any time. The fund is classified as a Special Revenue Fund for which a budget is required.

For the audit year, this fund had earned interest of \$21,304 and a \$35,000 transfer from the General Fund. There was a balance of \$535,077 in this fund at March 31, 2008. See Schedule 2.

### Cemetery Perpetual Care Fund

This fund is used to account for deposits for the perpetual care of cemetery lots and for interest earned from such deposits. During the audit year deposits of \$8,669 remained in the fund which reflected a fund balance of \$117,595 at March 31, 2008. Of the fund balance, \$82,040 was non-expendable.

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## Comments and Recommendations

### Property Tax Administration Fees

A 1% property tax administration fee, permitted by statute, was levied on all 2007 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. As reflected on Schedule 6, costs for the audit year exceeded fees collected by \$15,771, so the Township was in compliance with statutory requirements. As of March 31, 2008, there are accumulated excess expenditures of \$287,616.

### Property Tax Collections

The collection and distribution of the 2007 tax levy was handled in an excellent manner by the Township Treasurer. Deposits were made every few days and were intact. Payments to taxing units during the collection period were in accordance with statutory requirements.

### Insurance and Surety Bond Coverage

Our examination disclosed that the Township has such insurance coverage as fire and lightning, liability, errors and omissions, equipment, crime and workmen's compensation. Board minutes indicate that coverage was reviewed during the audit year. The Clerk, Treasurer, their deputies, and the Supervisor are covered by surety bonds. There is also a blanket bond covering all employees.

### Other Data

We are pleased to note the use of interest bearing bank accounts and investments which resulted in earned interest of over \$46,851 for the audit year. This is excellent, and we commend efforts of the Treasurer and Board members in this important area of financial management.

Payroll records reflect that proper procedures are being followed in payroll withholdings, remittances, federal and State reports, etc.

After completion of our audit, we will submit two (2) copies of this report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the excellent condition of the Township records. We further appreciate the courtesy extended our field auditors in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

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# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Kalkaska Township  
Kalkaska County  
Kalkaska, Michigan 49646

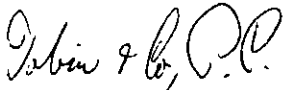
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kalkaska Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Kalkaska Township at March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Kalkaska Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
September 24, 2008



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## KALKASKA TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Kalkaska Township, Kalkaska County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Kalkaska Township for the fiscal year ended March 31, 2008.

### Financial Highlights

The assets of Kalkaska Township exceeded its liabilities at the close of the most recent fiscal year by \$1,607,278. Of this amount, \$556,831 may be used to meet the Township's General Fund ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$1,209,503, an increase of \$141,157 in comparison with the prior year. Of this amount, \$1,136,240 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$556,831, or 140% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Kalkaska Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Kalkaska Township does not have any business-type activities.

#### 2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kalkaska Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kalkaska Township are categorized as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Kaskaskia Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Improvement Revolving Fund, which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial resources because the resources of those funds are not available to support the Township's own programs.

The basic Fiduciary fund financial statements can be found on page 14 of this report.

## 3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### General Fund Analysis and Highlights

Township General Fund operations were consistent with prior years in receipt of revenues and provision of services.

### Condensed Financial Information

#### Net Assets

	Governmental and Total Activities	
	<u>3/31/08</u>	<u>3/31/07</u>
Current Assets	\$ 1,240,073	\$ 1,093,029
Capital Assets	<u>367,205</u>	<u>395,481</u>
Total Assets	<u>1,607,278</u>	<u>1,488,510</u>
Current Liabilities	<u>-</u>	<u>54</u>
Total Liabilities	<u>-</u>	<u>54</u>
Net Assets:		
Investment in Capital and Intangible Assets, net of related debt	367,205	395,481
Restricted	82,040	79,415
Unrestricted	<u>1,158,033</u>	<u>1,013,560</u>
Total Net Assets	<u>\$ 1,607,278</u>	<u>\$ 1,488,456</u>

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### **Activities**

	Governmental and Total Activities	
	3/31/08	3/31/07
Program Revenues:		
Charges for Services	\$ 64,098	\$ 72,928
Operating Grants	8,765	20,787
General Revenues:		
Property Taxes	237,770	217,414
State Shared Revenues	181,321	177,675
Other	<u>52,396</u>	<u>40,134</u>
Total Revenues	544,350	528,938
Expenses:		
General Government	300,152	285,725
Public Safety	89,556	129,895
Public Works	34,259	126,915
Health and Welfare	<u>1,561</u>	<u>-</u>
Total Expenses	<u>425,528</u>	<u>542,535</u>
Change in Net Assets	<u>\$ 118,822</u>	<u>\$ (13,597)</u>

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$367,205. This investment in capital assets includes: land, township hall, parks facilities, cemetery buildings and equipment, fire and rescue trucks and equipment, and office equipment and computers. This is the first year that the total Township's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives.

#### **Cash Assets**

At the end of the current fiscal year, the Township had \$1,195,180 in cash and other spendable assets. The Township is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

#### **Long-term Debt**

At the end of the current fiscal year, the Township had no debt outstanding.

#### **Pension Plan**

The Township makes contributions equal to approximately 11.5% of each employee's wage to Municipal Retirement Systems, Inc. on behalf of each participating employee. This is an expensed item in the budget and totaled \$11,556 for the fiscal year.

#### **Currently Known Facts, Decisions, or Conditions**

The Township plans to pave Tyler Road in the next fiscal year at a cost of around \$170,000.

#### **Requests for Information**

This financial report is designed to provide a general overview of Kalkaska Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Connie Winter, Clerk, Kalkaska Township, P.O. Box 855, Kalkaska, MI 49646.

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## Kalkaska Township Statement of Net Assets March 31, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
Assets	
Cash	\$ 1,195,180
Receivables	44,893
Capital Assets	
Land	8,000
Other Capital Assets, Net of Depreciation	<u>359,205</u>
Total Capital Assets	<u>367,205</u>
Total Assets	<u>1,607,278</u>
Liabilities	
Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets	
Invested in Capital Assets	367,205
Restricted for:	
Cemetery Perpetual Care	82,040
Unrestricted	<u>1,158,033</u>
Total Net Assets	<u>\$ 1,607,278</u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Statement of Activities For the Year Ended March 31, 2008

Functions/Programs	Program Revenues			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Legislative	\$ 22,409	\$ -	\$ -	\$ (22,409)
General Government	277,743	30,380	2,625	(244,738)
Public Safety	89,556	21,092	207	(68,257)
Health and Welfare	1,561	-	-	(1,561)
Public Works	<u>34,259</u>	<u>12,626</u>	<u>5,933</u>	<u>(15,700)</u>
Total Governmental Activities	<u>\$ 425,528</u>	<u>\$ 64,098</u>	<u>\$ 8,765</u>	<u>(352,665)</u>
General Revenues:				
Taxes				237,770
State Grants				181,321
Unrestricted Investment Earnings				46,851
Miscellaneous				<u>5,545</u>
Total General Revenues				471,487
Change in Net Assets				118,822
Net Assets – Beginning				<u>1,488,456</u>
Net Assets – Ending				<u>\$ 1,607,278</u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Balance Sheet Governmental Funds March 31, 2008

	<u>General</u>	<u>Township Improvement</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>				
Cash in Bank	\$ 542,508	\$ 535,077	\$ 117,595	\$ 1,195,180
Delinquent Taxes Receivable	30,570	-	-	30,570
Due from other Units	<u>14,323</u>	<u>-</u>	<u>-</u>	<u>14,323</u>
<b>Total Assets</b>	<u><b>\$ 587,401</b></u>	<u><b>\$ 535,077</b></u>	<u><b>\$ 117,595</b></u>	<u><b>\$ 1,240,073</b></u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	<u>30,570</u>	<u>-</u>	<u>-</u>	<u>30,570</u>
<b>Total Liabilities</b>	<u>30,570</u>	<u>-</u>	<u>-</u>	<u>30,570</u>
<b>Fund Balances:</b>				
Reserved	-	-	82,040	82,040
Unreserved	556,831	535,077	-	1,091,908
Unreserved Reported in Nonmajor: Permanent Fund	<u>-</u>	<u>-</u>	<u>35,555</u>	<u>35,555</u>
<b>Total Fund Balances</b>	<u>556,831</u>	<u>535,077</u>	<u>117,595</u>	<u>1,209,503</u>
<b>Total Liabilities and Fund Balances</b>	<u><b>\$ 587,401</b></u>	<u><b>\$ 535,077</b></u>	<u><b>\$ 117,595</b></u>	
Amounts reported for governmental activities on the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				367,205
Delinquent property taxes received after 60 days are recognized as revenues and not deferred for the statement of net assets.				<u>30,570</u>
Net assets of governmental activities.				<u><b>\$ 1,607,278</b></u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2008

	General	Township Improvement	Other	Total
<u>Revenues</u>				
Taxes	\$ 244,461	\$ -	\$ -	\$ 244,461
State Grants	187,254	-	-	187,254
Charges for Services	45,972	-	2,625	48,597
Interest and Rents	25,003	21,304	6,044	52,351
Other	5,752	-	-	5,752
Total	<u>508,442</u>	<u>21,304</u>	<u>8,669</u>	<u>538,415</u>
<u>Expenditures</u>				
Legislative	22,409	-	-	22,409
General Government	164,683	-	-	164,683
Public Safety	80,228	-	-	80,228
Public Works	34,259	-	-	34,259
Health and Welfare	1,561	-	-	1,561
Other	65,017	-	-	65,017
Capital Outlay	29,095	-	-	29,095
Total	<u>397,252</u>	<u>-</u>	<u>-</u>	<u>397,252</u>
Excess Revenues (Expenditures)	111,190	21,304	8,669	141,163
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	35,000	-	35,000
Operating Transfers (Out)	(35,000)	-	-	(35,000)
Total	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	76,190	56,304	8,669	141,163
Fund Balance – Beginning of Year	<u>480,641</u>	<u>478,773</u>	<u>108,926</u>	
Fund Balance – End of Year	<u>\$ 556,831</u>	<u>\$ 535,077</u>	<u>\$ 117,595</u>	

Governmental funds defer property tax revenues received more than 60 days after the year end as unavailable financial resources for the fund financial statements. In the statement of activities these are not deferred. 5,936

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year. (28,277)

Change in Net Assets of Governmental Activities. \$ 118,822

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Kalkaska Township Statement of Fiduciary Net Assets March 31, 2008

Assets	Agency Funds
Cash	<u>\$ 15,361</u>
Total Assets	<u>15,361</u>
Liabilities	
Undistributed Taxes and Interest	15,250
Due to Other Units of Government	92
Due to Other Funds	<u>19</u>
Total Liabilities	<u>15,361</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements



# Tobin & Co.

## Kalkaska Township Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Kalkaska Township is a general law township located in Kalkaska County. Population as of the 2000 census was 4,830, and the taxable value is \$164,062,148.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Funds – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

# Tobin & Co.

Kalkaska Township  
Notes to Financial Statements  
March 31, 2008

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 to \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	25 years
Vehicles	10 years
Furniture and Fixtures	10 years
Equipment	5 years

# Tobin & Co.

## Kalkaska Township Notes to Financial Statements March 31, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$204,567,700	\$164,062,148	.9651

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2008, no cost center exceeded its budget.

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

## Kalkaska Township Notes to Financial Statements March 31, 2008

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$1,212,677 deposited with local financial institutions at March 31, 2008 with a carrying value of \$1,195,180. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$912,677 of uninsured deposits at March 31, 2008.

### NOTE 4 - RECEIVABLES

\$24,635 of receivables of governmental activities represents delinquent property taxes and \$60 represents mobile home park fees.

### NOTE 5 - CAPITAL ASSETS

Governmental Activities:	03/31/07	Additions	Dispositions	03/31/08
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Buildings and Improvements	303,171	3,508	-	306,679
Equipment	160,608	9,231	-	169,839
Vehicles	310,495	-	-	310,495
	782,274	12,739	-	795,013
Less Accumulated Depreciation	(386,793)	(41,016)	-	(427,808)
Governmental Activities Capital Assets, Net	\$ 395,481	\$ (28,277)	\$ -	\$ 367,205

### NOTE 6 - TRANSFERS BETWEEN FUNDS

During the audit year the General Fund transferred \$35,000 to the Improvement Revolving Fund.

### NOTE 7 - LONG-TERM DEBT

The Township has no long-term debt and no such borrowing is anticipated in the near future.

### NOTE 8 - INVENTORIES

Kalkaska Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

# **Tobin & Co.**

## **Kalkaska Township Notes to Financial Statements March 31, 2008**

### **NOTE 9 - PENSION PLAN**

The Township participates in a defined contribution pension plan administered by Municipal Retirement Systems, Inc. By Board resolution, the Township pays a contribution of 11.5% of annual compensation.

The plan covers all elected officials and the assessor with 100% immediate vesting upon early retirement, termination of service, death, disability, or normal retirement. Required Township contributions of \$11,556 were paid for the audit year. Covered compensation for the audit year was \$100,146 out of total employee compensation of \$159,466.

The Township provides social security coverage for its officials and employees.

### **NOTE 10 - CONTINGENT LIABILITIES**

Township officials are aware of no material contingent liabilities as of March 31, 2008.

### **NOTE 11- COMPENSATED ABSENCES**

The Township assessor is entitled by contract to fifteen paid vacation days and five paid sick days per year. All compensated absence time must be used prior to year end with no accumulation.

### **NOTE 12- RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 13- LEASE**

The Township leases the land upon which its offices and fire department are located for \$1 per year under a 99-year lease expiring in 2082.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

## Kalkaska Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended March 31, 2008

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 125,000	\$ 125,000	\$ 132,006	\$ 7,006
Delinquent Taxes	4,500	4,500	29,088	24,588
Swamp Tax	22,000	22,000	22,493	493
Other Property Taxes	500	500	257	(243)
Special Assessments	1,800	1,800	12,626	10,826
Penalties and Interest on Taxes	-	-	2,331	2,331
Commercial Forest	-	-	5	5
Property Tax Administration Fees	43,000	43,000	45,655	2,655
State Grants:				
State Shared Revenues	172,200	172,200	179,156	6,956
Bankhead Jones	2,100	2,100	2,165	65
Metro Act	5,700	5,700	5,933	233
Charges for Services:				
Summer Tax Collection	13,000	13,000	14,005	1,005
Cemetery	7,000	7,000	7,875	875
Sales	5,000	5,000	2,625	(2,375)
Fire Protection	20,000	20,000	21,092	1,092
Land Splits	-	-	375	375
Interest and Rents:				
Interest	16,000	16,000	19,503	3,503
Rents and Royalties	5,000	5,000	5,500	500
Other:				
Donations	-	-	207	207
Refunds and Reimbursements	-	-	5,545	5,545
Total Revenues	<u>442,800</u>	<u>442,800</u>	<u>508,442</u>	<u>65,642</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	6,000	-
Supplies	-	-	2,709	-
Legal and Contractual	-	-	4,309	-
Maintenance and Repairs	-	-	342	-
Printing and Publishing	-	-	888	-
Other	-	-	8,161	-
Total	<u>51,500</u>	<u>50,500</u>	<u>22,409</u>	<u>28,091</u>
Total Legislative	<u>51,500</u>	<u>50,500</u>	<u>22,409</u>	<u>28,091</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 2

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>Expenditures (Continued)</u>				
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	6,500	-
Total	6,500	6,500	6,500	-
Elections:				
Salaries and Wages	-	-	2,743	-
Supplies	-	-	63	-
Printing and Publishing	-	-	1,054	-
Total	27,200	27,200	3,860	23,340
Assessor:				
Salaries and Wages	-	-	47,710	-
Supplies	-	-	1,168	-
Tax Collection	-	-	3,420	-
Other	-	-	415	-
Total	55,500	55,500	52,713	2,787
Clerk:				
Salaries and Wages	-	-	20,000	-
Supplies	-	-	1,300	-
Total	23,500	23,500	21,300	2,200
Board of Review:				
Salaries and Wages	-	-	625	-
Printing and Publishing	-	-	170	-
Total	2,000	2,000	795	1,205
Treasurer:				
Salaries and Wages	-	-	20,000	-
Salaries and Wages - Deputy	-	-	2,202	-
Supplies	-	-	276	-
Tax Collection	-	-	8,423	-
Total	43,700	43,700	30,901	12,799

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 3

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Expenditures (Continued)</b>				
General Government (Continued):				
Township Hall and Grounds:				
Salaries and Wages	-	-	4,130	-
Supplies	-	-	2,121	-
Public Utilities	-	-	7,021	-
Total	31,000	31,000	13,272	17,728
Cemetery:				
Salaries and Wages	-	-	20,579	-
Public Utilities	-	-	8,279	-
Maintenance and Repairs	-	-	5,002	-
Supplies	-	-	1,482	-
Total	119,000	119,000	35,342	83,658
Total General Government	308,400	308,400	164,683	143,717
Public Safety:				
Police Protection:				
Contractual Services	25,000	25,000	17,672	7,328
Total	25,000	25,000	17,672	7,328
Fire Protection:				
Salaries and Wages	-	-	29,173	-
Supplies and Small Tools	-	-	3,298	-
Gas and Oil	-	-	3,228	-
Outside Services	-	-	217	-
Education and Training	-	-	1,305	-
Public Utilities	-	-	9,978	-
Repairs and Maintenance – Vehicles	-	-	5,044	-
Repairs and Maintenance – Building	-	-	3,987	-
Repairs and Maintenance – Radio/Other	-	-	1,132	-
Other	-	-	5,194	-
Total	255,000	255,000	62,556	192,444
Total Public Safety	280,000	280,000	80,228	199,772

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2008

Schedule 1  
Page 4

	Budgetary Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
<u>Expenditures (Continued)</u>				
Public Works:				
Road Maintenance and Improvements	75,000	75,000	-	75,000
Township Cleanup	25,000	25,000	18,875	6,125
Street Lighting	6,000	6,000	6,038	(38)
Special Assessments	13,500	13,500	9,346	4,154
Total Public Works	119,500	119,500	34,259	85,241
Health and Welfare:				
Hospital Subsidy	5,000	5,000	1,561	3,439
Total Health and Welfare	5,000	5,000	1,561	3,439
Recreation and Culture	8,500	8,500	-	8,500
Other:				
Employee Benefits and Insurance	75,000	76,000	60,005	15,995
Numbering System and 911	1,000	1,000	-	1,000
Unallocated	10,000	10,000	2,012	7,988
Industrial Growth	5,000	5,000	3,000	2,000
Contingencies	20,000	20,000	-	20,000
Total Other	111,000	112,000	65,017	46,983
Capital Outlay	30,000	30,000	29,095	905
Total Expenditures	913,900	913,900	397,252	516,648
Excess Revenues (Expenditures)	(471,100)	(471,100)	111,190	582,290
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	(35,000)	(35,000)	-
Total	-	(35,000)	(35,000)	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(1) \$ (471,100)	\$ (506,100)	76,190	\$ 582,290
Fund Balance – Beginning of Year			480,641	
Fund Balance – End of Year			\$ 556,831	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Kalkaska Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Improvement Revolving Fund For the Year Ended March 31, 2008

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ 11,000	\$ 11,000	\$ 21,304	\$ 10,304
Total	11,000	11,000	21,304	10,304
<u>Expenditures</u>	-	-	-	-
Excess Revenues (Expenditures)	11,000	11,000	21,304	10,304
Other Financing Sources (Uses)				
Operating Transfers In	35,000	35,000	35,000	-
Operating Transfers (Out)	-	-	-	-
Total	35,000	35,000	35,000	-
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	\$ 46,000	\$ 46,000	56,304	\$ 10,304
Fund Balance -- Beginning of Year			478,773	
Fund Balance -- End of Year			\$ 535,077	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Kalkaska Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Cemetery Perpetual Care Fund For the Year Ended March 31, 2008

Schedule 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Perpetual Care Deposits	\$ 5,000	\$ 5,000	\$ 2,625	\$ (2,375)
Earned Interest	<u>4,500</u>	<u>4,500</u>	<u>6,044</u>	<u>1,544</u>
Total	<u>9,500</u>	<u>9,500</u>	<u>8,669</u>	<u>(831)</u>
<u>Operating Expenses</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ 9,500</u>	<u>\$ 9,500</u>	8,669	<u>\$ (831)</u>
Retained Earnings/Fund Balance – Beginning of Year			<u>108,926</u>	
Retained Earnings/Fund Balance – End of Year			<u>\$ 117,595</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Kalkaska Township Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended March 31, 2008

Schedule 4

Trust and Agency Fund				
	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<u>Assets</u>				
Cash	\$ 360	\$ 53,813	\$ 54,062	\$ 111
Total Assets	<u>\$ 360</u>	<u>\$ 53,813</u>	<u>\$ 54,062</u>	<u>\$ 111</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ -	\$ -	\$ -	\$ -
Due to Other Units of Government	300	53,556	53,764	92
Due to Other Funds	60	257	298	19
Total Liabilities	<u>\$ 360</u>	<u>\$ 53,813</u>	<u>\$ 54,062</u>	<u>\$ 111</u>
Current Tax Collection Fund				
	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<u>Assets</u>				
Cash	\$ 6,765	\$ 4,756,378	\$ 4,747,893	\$ 15,250
Total Assets	<u>\$ 6,765</u>	<u>\$ 4,756,378</u>	<u>\$ 4,747,893</u>	<u>\$ 15,250</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 6,765	\$ 4,756,378	\$ 4,747,893	\$ 15,250
Due to Other Units of Government	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>\$ 6,765</u>	<u>\$ 4,756,378</u>	<u>\$ 4,747,893</u>	<u>\$ 15,250</u>
Total				
	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<u>Assets</u>				
Cash	\$ 7,125	\$ 4,810,191	\$ 4,801,955	\$ 15,361
Total Assets	<u>\$ 7,125</u>	<u>\$ 4,810,191</u>	<u>\$ 4,801,955</u>	<u>\$ 15,361</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 6,765	\$ 4,756,378	\$ 4,747,893	\$ 15,250
Due to Other Units of Government	300	53,556	53,764	92
Due to Other Funds	60	257	298	19
Total Liabilities	<u>\$ 7,125</u>	<u>\$ 4,810,191</u>	<u>\$ 4,801,955</u>	<u>\$ 15,361</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Kalkaska Township 2007 Property Tax Levy and Collections For the Year Ended March 31, 2008

Schedule 5

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	5.4562	\$ 867,713	\$ 767,062	\$ 100,651
Hospital	1.6000	254,492	218,843	35,649
Public Transit	0.2500	39,747	34,163	5,584
Animal Control/Recycling	0.2500	39,747	34,171	5,576
Commission on Aging	0.4988	79,267	68,216	11,051
Library	0.2488	39,555	34,018	5,537
Sportsplex	0.7300	116,090	99,816	16,274
State Education	6.0000	984,709	870,204	114,505
School District	19.7500	1,966,154	1,708,338	257,816
Intermediate School District	2.9334	485,379	429,649	55,730
Township - General	0.9651	153,484	132,006	21,478
State - IFT		40,520	40,520	-
Village		64,351	58,285	6,066
Special Assessments		<u>15,306</u>	<u>12,626</u>	<u>2,680</u>
Total		<u>\$ 5,146,514</u>	<u>\$ 4,507,917</u>	<u>\$ 638,597</u>
Percent of Levy Collected	87.59%			

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Balance  
Property Tax Administration Fees  
For the Year Ended March 31, 2008

Schedule 6

## Revenues

Property Tax Administration Fees	\$ 45,655
Summer Tax Collection Fees	<u>14,005</u>
Total Revenues	<u>59,660</u>

## Expenditures

Assessor	52,713
Board of Review	795
Treasurer -- 60% of Salary	12,000
Tax Roll Expenses	8,423
Use of Building	500
Insurance and Fringe Benefits	<u>1,000</u>
Total	<u>75,431</u>

Excess Revenues (Expenditures) (15,771)

Excess Revenues (Expenditures) -- Prior Years (1) (271,845)

Accumulated Excess Revenues (Expenditures) \$ (287,616)

(1) Prior	\$ 26,872
1996-97	1,376
1997-98	16,371
1998-99	21,406
1999-00	22,120
2000-01	27,733
2001-02	23,863
2002-03	24,821
2003-04	30,523
2004-05	29,914
2005-06	27,615
2006-07	<u>19,231</u>
	<u>\$ 271,845</u>

The Notes to the Financial Statements are an integral part of this statement.

# Tobin & Co.

To the Township Board  
Kalkaska Township

We have audited the financial statements of Kalkaska Township for the year ended March 31, 2008 and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 24, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Kalkaska Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to



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initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kalkaska Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of

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which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the

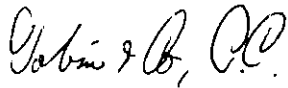
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Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Kalkaska Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.

September 24, 2008